Measurable performance objectives and indicators

Chapter 5

Drinking water quality and waste water management

Name of Water Service Authority

City of Johannesburg Metropolitan Municipality.

Name of Water Service Provider

Johannesburg Water (Pty) Ltd.

Blue Drop Status

In the 2009 and 2010 assessments, City of Johannesburg and its water service provider Johannesburg Water (Pty) Ltd attained 100% and 99% respectively and were accordingly awarded Blue Drop status.

Green Drop Status

The City of Johannesburg and its water service provider Johannesburg Water (Pty) Ltd have been awarded the Green Drop certification respectively for the 2009 year, the results for the 2010 assessments are still pending.

Johannesburg Water (Pty) Ltd has a Water Safety Plan in place and the plan was independently assessed by the International Water Association (IWA) against an international assessment model. There were no high-risk problems identified.

There are no problems experienced in the management of drinking water and the water continuously complies with the Drinking Water Standard: SANS 241. The 2010/11 operating budget of Johannesburg Water (Pty) Ltd includes an amount of approximately R9.1 million for drinking water monitoring and R14.4 million for waste water monitoring.

GT001 City Of Johannesburg - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Borrowing Management									
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	21.7%	21.7%	22.9%	27.5%	24.6%	25.6%	23.7%	25.2%
Credit Rating		A	A+	AA-	AA-	AA-			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	5.8%	7.1%	7.3%	10.9%	11.3%	6.7%	6.3%	8.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	66.3%	67.3%	65.9%	70.0%	76.8%	84.5%	89.2%
Safety of Capital									
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	99.1%	97.7%	104.5%	97.0%	96.8%	94.0%	89.3%	86.3%
Liquidity									
Current Ratio	Current assets/current liabilities	0.8	0.8	0.7	0.8	0.6	0.8	1.0	1.2
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.8	0.8	0.7	0.8	0.6	0.8	1.0	1.2
Liquidity Ratio	Monetary Assets/Current Liabilities	0.3	0.2	0.1	0.1	0.1	0.2	0.3	0.5
Revenue Management									
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		102.9%	91.3%	93.7%	93.5%	93.3%	93.6%	93.5%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.5%	25.6%	25.1%	17.1%	18.5%	17.7%	20.5%	17.3%
Other Indicators									
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated		12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	11.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source		31.4%	33.6%	31.0%	31.0%	29.0%	27.0%	25.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	24.5%	26.4%	27.2%	25.1%	25.5%	24.3%	23.6%	22.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	24.9%	26.8%	27.6%	25.4%	25.9%	24.6%	24.0%	22.9%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.6%	2.4%	2.2%	7.0%	6.6%	7.4%	8.0%	8.5%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	10.8%	11.2%	10.4%	11.7%	11.6%	11.0%	10.8%	9.9%
IDP regulation financial viability indicators									
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	16.0	15.7	10.0	12.1	12.1	36.9	14.9	16.9
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	26.2%	36.6%	36.6%	23.5%	25.4%	23.2%	26.5%	21.9%

Refer to IDP for performane indicators and targets

GT001 City Of Johannesburg - Table A10 Consolidated basic service delivery measurement

Description	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Household service targets (000)								
Water:								
Piped water inside dwelling	530 493	584 644	531 552	644 644	644 644	591 552	621 552	651 552
Piped water inside yard (but not in dwelling)	26 863	55 995	55 996	55 995	55 995	55 996	55 996	55 996
Using public tap (at least min.service level)	89 975	92 669	158 664	100 269	100 269	164 862	173 105	181 760
Other water supply (at least min.service level)	–	–	–	–	–	–	–	–
Minimum Service Level and Above sub-total	647 331	733 308	746 212	800 908	800 908	812 410	850 653	889 308
Using public tap (< min.service level)	–	–	–	–	–	–	–	–
Other water supply (< min.service level)	44 291	26 915	32 467	26 915	26 915	26 269	26 269	26 269
No water supply	22 151	14 852	536	14 852	14 852	536	536	536
Below Minimum Service Level sub-total	66 442	41 767	33 003	41 767	41 767	26 805	26 805	26 805
Total number of households	**713 773**	**775 075**	**779 215**	**842 675**	**842 675**	**839 215**	**877 458**	**916 113**
Sanitation/sewerage:								
Flush toilet (connected to sewerage)	396 483	373 613	439 419	433 613	433 613	499 419	529 419	559 419
Flush toilet (with septic tank)	–	–	–	–	–	–	–	–
Chemical toilet	63 737	86 605	75 073	95 482	95 482	68 254	71 667	75 250
Pit toilet (ventilated)	91 708	35 047	65 432	42 657	42 657	72 251	76 551	80 851
Other toilet provisions (> min.service level)	6 413	7 549	7 549	7 549	7 549	7 549	7 549	7 549
Minimum Service Level and Above sub-total	558 341	502 814	587 473	579 301	579 301	647 473	685 186	723 069
Bucket toilet	–	–	–	–	–	–	–	–
Other toilet provisions (< min.service level)	–	–	–	–	–	–	–	–
No toilet provisions	22 024	7 150	45 971	7 150	7 150	45 971	45 971	45 971
Below Minimum Service Level sub-total	22 024	7 150	45 971	7 150	7 150	45 971	45 971	45 971
Total number of households	**580 365**	**509 964**	**633 444**	**586 451**	**586 451**	**693 444**	**731 157**	**769 040**
Energy:								
Electricity (at least min.service level)	228 068	217 860	212 068	226 489	226 489	239 172	251 609	269 189
Electricity - prepaid (min.service level)	86 768	94 854	109 924	117 399	117 399	123 973	130 420	137 202
Minimum Service Level and Above sub-total	314 836	312 714	321 992	343 888	343 888	363 145	382 029	406 391
Electricity (< min.service level)	–	–	–	–	–	–	–	–
Electricity - prepaid (< min. service level)	–	–	–	–	–	–	–	–
Other energy sources	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–
Total number of households	315	313	322	344	344	363	382	406
Refuse:								
Removed at least once a week	903 000	913 000	921 000	925 000	930 000	955 000	983 650	1 013 160
Minimum Service Level and Above sub-total	903 000	913 000	921 000	925 000	930 000	955 000	983 650	1 013 160
Removed less frequently than once a week	–	–	–	–	–	–	–	–
Using communal refuse dump	–	–	–	–	–	–	–	–
Using own refuse dump	–	–	–	–	–	–	–	–
Other rubbish disposal	–	–	–	–	–	–	–	–
No rubbish disposal	–	–	–	–	–	–	–	–
Below Minimum Service Level sub-total	–	–	–	–	–	–	–	–
Total number of households	**903 000**	**913 000**	**921 000**	**925 000**	**930 000**	**955 000**	**983 650**	**1 013 160**
Households receiving Free Basic Service								
Water (6 kilolitres per household per month)	647 331	733 308	778 679	800 908	800 908	838 679	876 922	915 577
Sanitation (free minimum level service)	123 230	121 652	148 054	154 925	154 925	148 054	155 767	163 650
Electricity/other energy (50kwh per household per mo	233 981	230 408	235 051	251 034	251 034	265 092	278 877	293 379
Refuse (removed at least once a week)	204 000	196 000	190 000	180 000	185 000	175 750	166 963	158 614
Cost of Free Basic Services provided (R'000)								
Water (6 kilolitres per household per month)	12 200	15 321	15 184	17 128	17 128	20 279	23 098	26 314
Sanitation (free sanitation service)	139 916	128 554	90 518	61 618	61 618	65 503	70 023	74 714
Electricity/other energy (50kwh per household per mo	55 097	60 086	91 660	97 893	97 893	103 375	108 750	114 405
Refuse (removed once a week)	36 720	51 744	57 000	64 800	66 600	73 815	80 142	83 748
Total cost of FBS provided (minimum social package)	**243 933**	**255 705**	**254 362**	**241 439**	**243 239**	**262 972**	**282 013**	**299 181**
Highest level of free service provided								
Property rates (R'000 value threshold)	20 000	20 000	150 000	150 000	150 000	150 000	150 000	150 000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)								
Sanitation (Rand per household per month)								
Electricity (kwh per household per month)	50	50	100	100	100	100	100	100
Refuse (average litres per week)	14kg	14kg	14kg	14kg	14kg	14kg	14kg	14kg
Revenue cost of free services provided (R'000)								
Property rates (R15 000 threshold rebate)	220 500	237 000	333 961	393 200	393 200	394 567	418 241	443 335
Property rates (other exemptions, reductions and rebates)			93 769	81 898	81 898	143 088	151 136	158 496
Water	237 990	256 297	268 502	287 740	287 740	321 535	369 561	429 328
Sanitation	39 933	41 411	43 942	59 408	59 408	76 946	102 008	135 911
Electricity/other energy	55 097	60 086	–	97 893	97 893	125 303	150 364	180 437
Refuse	12 240	12 936	13 680	21 600	22 200	23 199	24 043	26 647
Municipal Housing - rental rebates								
Housing - top structure subsidies	105 849	173 652	321 293	350 000	160 000	50 000	–	–
Other								
Total revenue cost of free services provided (total social package)	**671 609**	**781 382**	**1 075 147**	**1 291 739**	**1 102 339**	**1 134 638**	**1 215 353**	**1 374 154**

Chapter 5

Overview of budget-related policies

Chapter 6

Overview of budget-related policies

Budgeting is central to the process of prioritising for service delivery and the management of the functions of Council. The City's budgeting process is guided and governed by relevant legislation and budget related polices.

The following are the key policies that affect or are affected by the annual budget:

Budget Management Policy

The City has developed a Budget Management Policy that provides a framework within which Directors, Managing Directors, Chief Executive Officers, Chief Financial Officers, Finance Directors and Managers can compile, control and review budgets of their respective departments and MEs to ensure effective financial management.

This policy incorporates, amongst others, provisions for the shifting of funds within and between votes, adjustment budgets, unforeseen and unavoidable expenditure and budget management and oversight.

Tariff Policy

The Municipal Systems Act, Act 32 of 2000, requires a municipality to have a tariff determination policy.

The challenge in setting tariffs lies in striking a balance between maintaining financial sustainability of the relevant departments and entities (and so sustainability of service provision) and ensuring affordability of those services by consumers.

The City's Tariff Policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote sustainability of service provision. This policy is based on principles that

address the social, economic and financial imperatives that the process of tariff setting should take account of. In addition to the policy, and for operational purposes, tariff setting methodologies have been developed for the various departments and entities involved in trading services. The methodology specifies the procedure that departments and municipal entities should follow in determining their tariff increases.

The City revised its tariff policy in 2008.

Treasury Control Policy

The City has a Treasury Control Policy in place, which details a strategy and process of risk management that is aligned to the principles of King II and complies with all the relevant legislation, regulations and guidelines.

The City needs to manage the risks for strategic considerations, such as the protection of vulnerable business units, financial and other assets of the organisation. Further, to ensure the continued financial strength of the organisation, by avoiding the occurrence of unnecessary/uncontrolled losses, which could weaken the overall profitability and balance sheet structure.

The Treasury Control Policy is being revised.

Cash Management and Investment Policy

Section 13 (2) of the MFMA requires that a municipality have a policy dealing with cash management and investment.

The City's Cash Management and Investment policy is developed within the framework of the MFMA and is contained within its Treasury Policy.

Policy on Borrowing

Chapter 6 of the MFMA provides a framework for a Policy on Borrowing.

The City's Policy on Borrowing is contained within its Treasury Policy and it ascribes to the principles outlined in the Act.

Funding and Reserves Policy

The City's Treasury Policy contains a policy on funding and reserves.

The Funding Policy is aimed at ensuring that the City procures sufficient and cost-effective funding in order to achieve its capital expenditure objectives in an optimum manner. The policy shall be adhered to in the procurement of funding for the City, having due regard to the assets and liability maturity profile of the City.

Credit Control and Debt Collection Policy

The City's Credit Control and Debt Collection Policy provide the procedures and mechanisms for credit control and for the collection of debts. The primary objective of this policy is to ensure that all monies due and payable to the City in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly.

The policy was revised in 2009 and is available on the City's website.

Supply Chain Management Policy

Municipalities are required in terms of section 111 of the MFMA to have a Supply Chain Management Policy.

The City approved its Supply Chain Management Policy in 2006. This Policy was amended in 2009 in terms of the Municipal Supply Chain Management Regulations, as well as National Treasury guidelines circulated from time to time.

This policy is available on the City's website.

The Rates Policy

The City has revised its Rates Policy as per the legislative requirements. The revised policy provides that properties be rated, based on the value of their land and improvements. Sectional title owners will also be drawn into the rates base. A new valuation roll is accordingly in place.

The policy is designed to ensure equitable treatment by Council in the levying of rates on property owners, including owners under sectional title, as well as other persons who may become liable for the payment of rates.

The first Rates Policy and General Valuation Roll in terms of the Municipal Property Rates Act (MPRA) was implemented by the City on the 1 July 2008. The Act provides for property owners to object to the proposed values in the General Valuation Roll. All of the objections were adjusted during the 2008/09 financial year, although there were spill-over adjustments into the 2009/10 financial year.

The revised policy was approved in March 2010 and is available on the City's website.

The Expanded Social Package Policy

The City, committed to enhance access to its services by all households, revised and expanded its Social Package Policy in 2009. This revised Policy presents significant shifts from how municipal service subsidies were administered in the City. The targeting mechanism, which is crucial in determining the performance of service subsidies, has been amended from a household-based means testing, to an individually-tied poverty index. This is an important step in addressing the challenge of having more than the average people in a household and that of non-account holders being unable to access subsidies. The poverty index takes into account an individual's factors, as well as the characteristics of the area person resides in. This is in line with the logic that poverty is not only a function of income.

Recognising that the degree of poverty differs across the City, the revised policy moves from giving universal level of subsidies and presents three bands of subsidies, based on the poverty scores. Subsidies are then applied on an additive per – person basis to a household, up to a maximum cap per assistance band. With the previous policies, all indigents were provided with free 10 Kl of water per household per month, 50 kWh of electricity per household per month, 100 percent rates rebates, subsidised sanitation and subsidised refuse removal. With the revised policy, the levels of subsidies are differentiated as follows:

Band 3 (70 – 100 poverty score); free 50 litres of water per person per day, up to 15 Kl per month per household; 30 kWh of electricity per person per month, up to 150 kWh per household; a 100 percent rebate on owner – charged rates and services; 100 percent rebate on refuse; a transport subsidy of 15 percent; and up to R1 500 in rental subsidy.

Band 2 (35 – 69 poverty score): free 35 litres of water per person per day, up to 12 Kl per household; 20 kWh of electricity per person per month, up to 100 kWh per household; a 100 percent rebate on owner – charged rates and services; 100 percent rebate on refuse; 15 percent transport subsidy; and up to R1 000 in rental subsidy.

Band 1 (1 – 34 poverty score): free 25 litres of water per person per day, up to 10 Kl per household;10 kWh of electricity per person per month, up to 50 kWh per household; 70 percent rebate on owner – charged rates and services; 70 percent rebate on refuse; and up to R750 in rental subsidy.

The revised policy aims at extending the coverage of subsidies to those who are in need, without necessarily burdening the City's fiscus. Basically, the additional given to larger households is offset by the amount no longer allocated to smaller households, even though the benefits now equalize between them.

Policies Dealing with Infrastructure Investment and Capital Projects

MFMA, MBRR requires a disclosure on policies informing capital investment decisions and for the CoJ these policies include:

- The Growth and Development Strategy
- The Mayoral Priorities
- Key IDP Interventions
- The Spatial Development Framework
- The Growth Management Strategy, and
- Capital Investment Framework.

The Capital Investment Framework (CIF) is the framework through which the City identifies and prioritises capital projects for implementation in the forthcoming financial year and the relevant medium term budget.

CIF is produced through two processes. The first is a series of engagements with the sector departments and associated municipal entities to identify critical capital projects, which is informed by the sector's priorities, as well as the technical outcomes. The second is the production of a prioritised list of capital projects for the City that meet desired developmental and spatial outcomes of the City, as defined in the GDS AND GMS.

The responsibility for coordinating CIF and prioritising projects, sits with the Development Planning and Facilitation Directorate and the Budget Office. The responsibility for identifying, planning and ensuring the execution of capital projects sits with the relevant departments and municipal entities.

The objectives of CIF are to:

- Contribute towards the eradication of service delivery backlogs, especially in poor marginalised areas;
- Ensure the improvement and the management of existing infrastructure;
- Improve service deliver through infrastructure and services that are planned, delivered, upgraded or managed in an objective and structured manner;
- Prioritise projects and programmes, through a strategic and spatially-linked information system known as the Capital Investment Management System (CIMS), and
- Direct future public and private investment by aligning capital budget requirements of the departments and entities to priority areas of the City, defined in the GMS and sector plans.

In order for the City to achieve its GDS objectives and to implement its IDP targets, there has to be a budget linked to the programmes. The City's capital budget is limited and is funded through loans and grants. Discussions between and within departments, and with communities, refine the priority capital projects further.

Policy on Developer Contributions for Property Development

Town Planning and Townships Ordinance No 15 of 1985 guides the determination of developer contributions for property development.

Overview of budget assumptions

Chapter 7

Overview of budget assumptions

Overview

The world economy and the South African economy, is geared for a sluggish recovery in 2010, from the recession that started in 2008. In South Africa the recession officially ended in 2009/Q3, boosted by the growth in the manufacturing, electricity, water and gas and construction sectors. The South African economy is expected to contract by 1,9% in 2009 and grow by 1,5% in 2010 (National Treasury). Given that the CoJ's economy usually grows about 50% more than the national growth, the City's economy is expected to contract by 0,9% in 2009 and grow by 3,5% in 2010 (Department of Economic Development). A growing economy will boost the City's collection levels, and so its capability to deliver services.

The past financial year has presented budgetary challenges to the City, resultant of the global economic meltdown. These challenges include coping with revenue shortfall, 2008/09 deficit and creating a balance between increasing demand for services and limited financial resources. The City has developed a Financial Strategy to mitigate against these pressures. Several options where considered, which include maximising revenue generation, tariff increases above the projected inflation in some services and curtailing of expenditure.

The City of Johannesburg socio-economic trends

The City's Department of Economic Development undertakes a review of the City's socio-economic trends on an annual basis.

Demographic profile

The City of Johannesburg has the highest population of all metros in South Africa. As the economic hub of the country, this trend is understandable since the availability of services and job opportunities means the City attracts not only South Africans from other parts of South Africa, but it also attracts people from other regions within the African continent and abroad. Over the years however, the population growth in the City has been declining, from 2,7% to 0,68% between 1996 and 2007. This trend augurs well for the City (in terms of service delivery) and the country and the policy of shared economic growth, suggesting that economic opportunities in other parts of South Africa may be spreading enough to reduce in – migration to the CoJ.

HIV profile

The City has experienced a steady and sustained increase in the number of people infected with HIV from 1996 to 2007. For an economic hub of the province, as well as the country, this trend is disturbing since it spells negative consequences in terms of limited resources that must be spent to address treatment and other related issues, and the negative consequence for human resources due to potential absenteeism that may impact negatively on productivity. For 2007 alone there were more than 31 000 people infected with HIV in the City. However, the infection rate is declining, having declined from 5,48% to 1,01% from 1996 to 2007. This may be an indication that the various campaigns aimed at minimising the spread of HIV infections may be starting to bear fruit.

Employment profile

The CoJ has the highest number of economically active people (the official definition). The fact that it is the economic hub of the country means that it will tend to attract a number of potential job seekers. The City, like other metros within the country, is experiencing high rates of unemployment at 20,29% in 2008 (official definition of unemployment).

Most people formally employed in the City are employed in the four main economic sectors that stand out the City's (and the country's) economy, namely finance and business services, trade, community services and manufacturing (in order of importance). More than 800 000 people were formally employed in both the finance and trade sectors combined in 2007. There is a possibility that since these sectors are the ones most hit by the prevailing global financial meltdown, formal sector employment may be negatively affected in the CoJ in 2009, and the City may have to contend with higher unemployment levels.

Fewer people are employed in the agricultural sector, which is not surprising since there is less agricultural activity within the City. And despite the fact that Johannesburg was founded on mining, very few people are currently employed in the sector. Most electricity generation activities occur outside the City's boundaries (although there are at least two power stations within the City) and as a result the sector also employs very few people.

The majority of people employed in the informal sector in the CoJ are employed in the trade and construction sectors. While this may be further testament to the City's urban character, the strength of the trade sector may be an indication of the robustness of informal trading that is a characteristic of the City, while the increase in infrastructure spending, as well as an increase in the construction of private residences and office space, may also explain why the construction sector is the second leading source of informal sector employment within the City.

Informal and formal sector employment in the City respectively grew by 0,97% and 1,60% from 1996 to 2007. The slow growth in employment (and a decline in other metros) is a cause for concern for metro employment prospects, since metro population growth has outstripped employment growth over the same period.

Human development indicators

The City has made some remarkable progress on improving the standards of living of its citizens. Between 1996 and 2007 the lowest proportion of people living in poverty was recorded in the CoJ (poverty defined as the number of people living on less than one US dollar per day). The slowest growth in the proportion of people living in poverty within the City was also recorded over the same period, at 1,3%. The explanation for this could be that the relatively high rates of growth, as well as an expansion of social services make it possible for larger proportions of people to move out of poverty.

Another commonly used measure of welfare improvement or lack thereof is the Gini coefficient, which is a measure of inequality between various income strata within society. The level of income inequality has been increasing in South Africa since 1996, and the metros depict the same picture. Income inequality within the City recorded 0,62 in 1996, 0,64 in 2001 and 0,65 in 2007. Growth, in income inequality from 1996 to 2007, stands at 0,34%.

Skills and education profile

The education profile in the CoJ shows that a substantial number of people (as a proportion of those aged 15 years and above) in the City possess Grade 7, up to a matric qualification, with very few possessing post-matric qualifications. This suggests that the majority of potential job seekers in the City are at least capable of meeting the basic minimum functional literacy skills required on the job. Moreover, the proportion of those with no schooling is diminishing. The fact that fewer people in the City possess post-matric qualifications needs to be looked at in conjunction with the overall challenges facing the education sector in South Africa. To this end, it is of concern that drop-out rates before matric, appears to be on the rise. For example, between 1996 and 2007, the proportion of those with qualifications from Grade 0 to Grade 2 grew on average by 6,5%. This could be related to the high drop – out rates that characterises the education system in the country. Of the more than 1,6 million learners who started school in 1995 in South Africa, only 560 000 sat for their matric examinations by 2007, representing a school drop-out rate of about 34%.

Despite fewer people possessing post-matric qualifications in the CoJ, the category of formal educational qualifications that has shown the highest increase in growth, is the number of people with matric and post-graduate degrees, which increased on average by 6,65% from 1996 to 2007. In the same vein, the number of people with matric, a certificate and a diploma and those with matric and a bachelor's degree, respectively grew on average by 6,54% and 2,07%.

Economic analysis

The City of Johannesburg enjoys the largest and growing share of national and provincial economic output, compared with other metros in the country. The CoJ's economic performance, which (at the national and provincial levels) underlies its role as the economic hub of the country, has consistently outperformed the economic performance of other metros. However, the recessionary conditions, currently experienced, are likely to lead to a decrease in economic activity in 2009.

The CoJ accounts for around 17% and 48% of the national and provincial economic output respectively. This is testament to the fact that the CoJ is the engine for national performance and its performance can be used to sustain shared economic growth. Furthermore, this suggests that the City's economic performance underpins national economic performance, such that the higher economic growth in the CoJ, the higher the economic growth in the national economy. Thus, the CoJ must grow in order for the national economy to grow as well.

For the period 2003 to 2008 the City grew on average by 5,30% (a growth higher than the national average of 4,67%), but is expected to shrink by a recession induced 2,32% in 2009. Needless to say, such a decrease in output is likely to add to the hardships that the average consumer is already experiencing. However, during the period 2003 to 2008, the economies of the cities of Cape Town and Tshwane grew faster than that of the CoJ respectively by 5,85% and 5,5%.

An analysis of the performance of economic sectors within the CoJ, from 2006 to 2008, reveals that the star performers (in the order of their importance) are by far finance and business services, community and personal services, manufacturing and wholesale and retail trade. It is also within these sectors that the majority of the formally employed people are employed within the CoJ. Although the four major economic sectors have enjoyed mixed – growth outlook, it is the construction sector, however, that has shown consistent and sustained positive growth trajectory. In fact, the construction sector has grown at rates way above the national economic growth rates. For example, the construction sector in the CoJ grew by 13,9% in 2006, 6,9% in 2007 and 7,7% in 2008, while the national economy grew respectively by 5,24%, 5,14% and 3,16%. The City's two smallest sectors, namely mining and agriculture also grew consistently over the same period. Their growth could largely be attributed to movements in international commodity prices and the lifting of the drought conditions, experienced in the major growing areas. In

keeping with the industrialised character of the CoJ, the agricultural and mining sectors are the least important and have been in a steady decline, primarily in terms of their contribution to the City's real GVA.

It is, however, concerning that the phenomenal growth in the construction sector has not been accompanied by marked increases in employment growth. This may be ascribed to the fact that the contributory factors to the explosive growth in the construction sector (mainly the lowering of interest rates, which led to a boom in the residential and office market after almost 30 years, increases in household incomes and asset prices and increase in business and consumer confidence) are largely cyclical in nature and their impact on employment may largely be confined to increases in employment opportunities of less skilled (or even part time) workers. With the construction sector set to play an even more prominent role, leading to the 2010 Soccer World Cup, it may be necessary for policy makers to find ways of ensuring that more employment opportunities are leveraged in a sector that has recorded higher rates of growth, compared with the other sectors in the CoJ. This need to explore ways of leveraging employment opportunities is further magnified by the fact that the four star performers in the City's economy are likely to be the ones most affected by the down turn in economic activity that has been occasioned by the current recessionary conditions.

The economic make-up of the CoJ's economy also raises other important considerations, particularly in terms of skills and potential employment prospects. The four top performing sectors are (in their order of importance) finance and business services, manufacturing, wholesale and retail trade and community and personal services. This will tend to suggest that the economy is concentrated and the City's most important economic sectors are likely to create employment opportunities requiring more skills than otherwise. Most people only have matric as their highest formal education qualification and although they are qualified enough for most employment opportunities, their qualifications may not be enough for job opportunities requiring more skills. This may be problematic, given that the top four performing sectors in the City are more likely to attract people with higher levels of skills than otherwise. To this end, the City's tress index indicates (at 53,43 in 2008 and 52,03 in 1996) that the City's economy is becoming more concentrated. A concentrated economy (as opposed to a diversified one) is more prone to exogenous shocks, such as adverse climatic conditions, commodity price fluctuations, etc.

The City of Johannesburg is an important centre for international trade. CoJ's international trade share of the national GVA has been higher than that of any other metro in the country. This could be attributed to the fact that Gauteng (and by extension, CoJ) is an economic hub of the country, thus by extension, the headquarters of many firms that may engage in international trade.

An analysis of the movement of imports and exports in the CoJ, from 1996 to 2007, show that the growth in imports and exports has generally moved in tandem with each and reflective of the general economic conditions at the time. Thus, during periods of relatively lower economic growth, export growth has tended to outstrip import growth. However, as economic growth exploded, import growth has tended to outstrip export growth. The onset of the global financial crisis saw a correction in the trajectories of both import and export growth.

Summary of budget assumptions

The following Budget Assumptions were made:

The CPI is estimated at 6,3% for 2010/11, 5,9% and 5,7% for 2011/12 and 2012/13 respectively.

Estimated salary increases:

- 2010/11 – 8,5% (calculated based on projected CPI from Feb 2009 to Jan 2010)
- 2011/12 – 7,8%
- 2012/13 – 6,9%

Debt impairment: the overall collection levels are estimated around 94% overall for the City. Payment levels for the following revenue streams have been estimated as follows:

Payment levels	Budget 2010/2011
Property rates	92,8%
Electricity	97,1%
Water and sewerage	89,7%
Refuse: Core admin	82,3%
Refuse: Pikitup	93,7%

Bulk purchases: City Power has assumed a tariff increase of 28,9% from ESKOM and the cost of bulk purchases from Rand Water is expected to increase by 15%.

Finance charges and depreciation is growing with an amount of R213 million or 8% over the 2009/10 financial year and it is mainly as a result of the capital investment over the medium term.

Other expenditure: in order to accommodate the increases in salaries, bulk purchases, debt impairment and depreciation, it means that all other expenditure will increase at a reduced rate or maintained at the current levels.

GT001 City Of Johannesburg - Supporting Table SA9 Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	1996 Census	2001 Census	2007 Survey	2006/7	2007/8	2008/9	Current Year 2009/10	2010/11 Medium Term Revenue & Expenditure Framework		
Demographics											
Population		2 639 110	3 225 812	3 888 180	3 436 045	3 506 168	3 577 772	3 680 861	3 748 331	3 817 038	4 105 933
Females aged 5 - 14		206 049	235 400	290 767							
Males aged 5 - 14		202 617	232 406	293 728							
Females aged 15 - 34		519 108	661 127	727 627							
Males aged 15 - 34		553 063	708 891	764 750							
Unemployment		29.2%	37.4%	29.6%							
Household income (households) (1.)											
None			196 695	130 278							
R1 - R4800			43 469	28 714							
R4800 - R9600			115 015	125 514							
Poverty profiles (2.)											
Insert description											
Household/demographics											
Number of people in municipal area		2 639 110	3 225 812	3 888 180	3 436 045	3 506 168	3 577 772	3 680 861	3 748 331	3 817 038	3 935 090
Number of poor people in municipal area	CoJ Poverty Index				714 697	729 282	744 176	629 677	661 161	677 690	690 112
Number of households in municipal area		728 304	1 006 932	1 165 014	1 130 000	1 164 948	1 200 977	1 225 486	1 250 496	1 276 016	1 302 057
Number of poor households in municipal area	CoJ Poverty Index				562 837	568 522	574 264	238 892	251 465	257 912	263 175
Definition of poor household (R per month)											
Housing statistics (3.)											
Formal		561 856	779 889	880 572							
Informal		155 459	212 211	226 445							
Total number of households		717 315	992 100	1 107 017	1 130 000	1 164 948	1 200 977	1 225 486	1 250 496	1 276 016	1 302 057
Dwellings provided by municipality (4.)					14 307	20 275	22 000	28 600	11 100		
Dwellings provided by province/s											
Dwellings provided by private sector (5.)											
Total new housing dwellings					14 307	20 275	22 000	28 600	11 100		
Economic (6.)											
Inflation/inflation outlook (CPI)					5.1%	5.1%	6.2%	6.8%	6.3%	5.9%	5.7%
Interest rate - borrowing					11.8%	12.4%	11.0%	12.0%	11.0%	11.5%	11.5%
Interest rate - investment											
Remuneration increases					9.0%	6.9%	8.3%	11.0%	8.5%	7.8%	6.9%
Consumption growth (electricity)									2.0%	2.0%	2.0%
Consumption growth (water)									2.0%	2.0%	2.0%
Collection rates (7.)											
Property tax/service charges					93.0%	96.0%	92.0%	94.0%	92.8%	92.2%	92.2%
Rental of facilities & equipment											
Interest - external investments											
Interest - debtors											
Revenue from agency services											

Overview of budget funding

Chapter 8

Overview of budget funding

Review of past performance

Operating expenditure

The overall financial performance results for the 2008/09 financial year reflect an operating surplus of R726 million.

A summarised extract of the statement of financial performance is as fo llows:

	Revised Budget 2008/09 R'000	Actual Result 2008/09 R'000
Income	22 839 930	20 724 266
Expenditure	19 649 661	19 983 060
Operating Surplus before taxation	3 319 269	741 206
Less taxation	47 736	14 747
Less transfers	(2 970 116)	
Operating Surplus after tax	172 417	726 459

Revenue variance analysis

- Property rates are under budget as a result of the implications of the implementation of the MPRA;
- Fines and licenses are under budget as result of the challenges experienced with the implementation of the AARTO system, and
- Grants and subsidies received relate to capital grants and is under budget as a result of the accounting treatment whereby capital grants are only recognised once the asset has been capitalised.

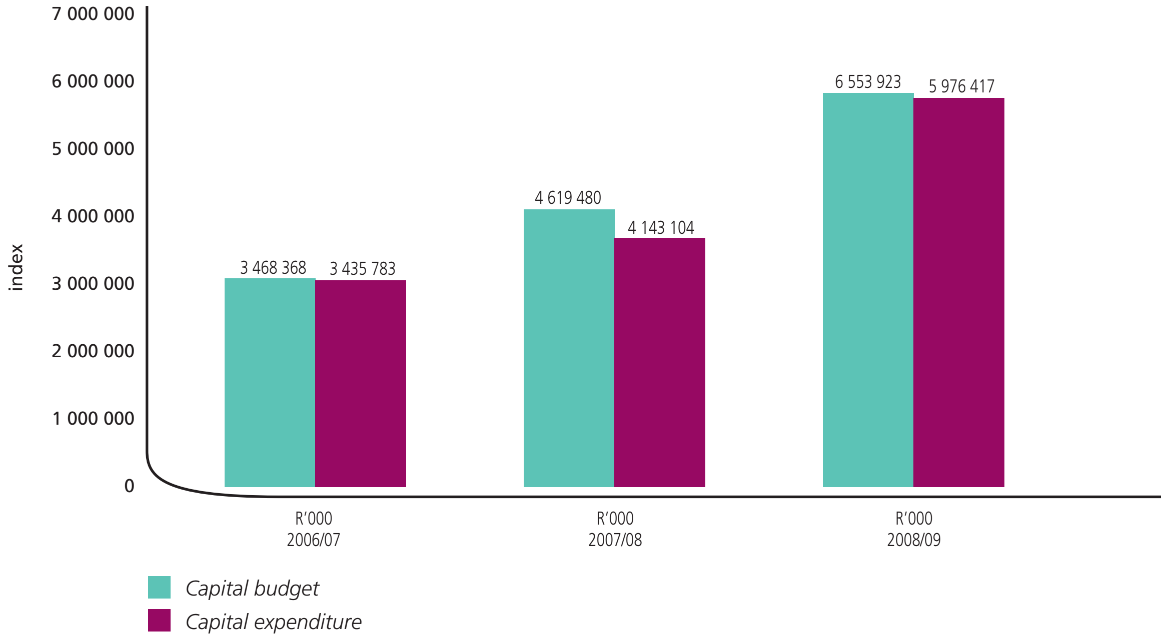
Expenditure variance analysis

- Bad debts are over budget as a result of an increase in the arrear debtor's balance, and
- General expenses are over budget as a result of pension fund contributions made, emanating from the actuarial process.

Capital expenditure

The graph below demonstrates the City's capital spending against the budget over the last three financial years.

CAPITAL EXPENDITURE



Long term financial overview

The key objective of the Financial Plan remains the achievement of financial sustainability in the medium to long term, whilst still achieving the City's objectives as detailed in the IDP.

The Financial Plan is based on the following key objectives

- Balanced Budget – ensuring that the expenditure is aligned to the revenue and that the City has sufficient cash to meet its debt obligations;
- Maintenance of surplus – ensure that the City generates surpluses to ensure that the liquidity is maintained and to support the capital programme, and
- Sustainability – ensure that the capital investment is within the financial capacity of the City and ensure that there is continuous investment on the infrastructure maintenance and replacement in a medium to long term period.

The financial plan provides a prudent and sustainable financial framework within which the City will develop its annual budget. The demand for capital expenditure for the medium term budget is enormous in terms of housing backlogs, service delivery, infrastructure development, maintenance of infrastructure, etc.

The capacity to finance capital through external loans, is measured by the debt to revenue ratio, current ratio and the ability to afford annual capital interest and redemption payments.

Level of capital spending

The appropriate levels of capital expenditure and borrowing are based on the principles of affordability, prudence and sustainability (debt ratios and the impact or return of the capital investment on the operating budget).

Prudential Indicators

- Debt to equity
- Debt to revenue
- Liquidity (Current Ratio)
- Operating surplus.

In determining the level of borrowing and projecting the financial position of the City, one should always have the Credit Rating of the City in mind.

Capital investment programme

The Capital expenditure for 2010/11 will be approximately R3,1 billion, R3,9 billion for 2011/12 and R4,4 billion for 2012/13.

The graph below shows the ten-year projection of the capital investment programme (CIP).

CAPITAL EXPENDITURE

The financial plan projects a capital spending of approximately R11,4 billion over a period of three years.

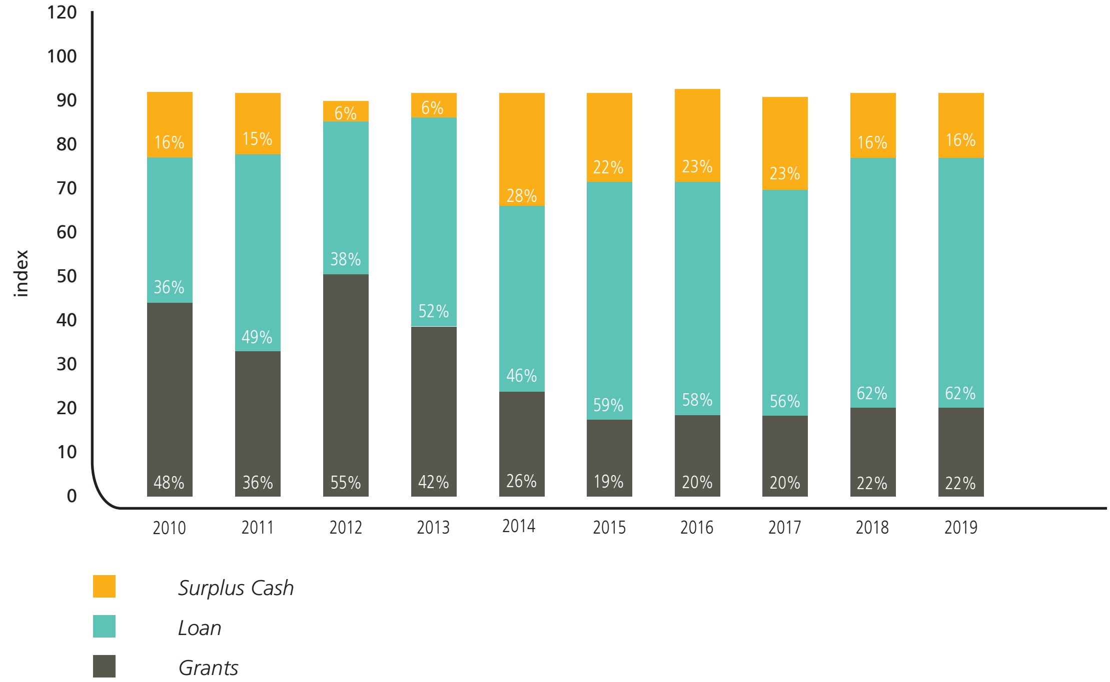
Funding sources

The table below reflects the projected capital per funding source for the next ten years.

	2010 Rm	2011 Rm	2012 Rm	2013 Rm	2014 Rm	2015 Rm	2016 Rm	2017 Rm	2018 Rm	2019 Rm
Loan	1 992	1 512	1 512	2 300	1 000	1 850	1 850	1 850	1 950	2 065
Surplus	855	457	278	279	620	687	727	770	515	546
Loan and surplus	2 847	1 969	1 790	2 579	1 620	2 537	2 577	2 620	2 465	2 611
Grants and donations	2 627	1 090	2 181	1 829	568	601	637	675	705	737
Total	5 474	3 059	3 970	4 408	2 188	3 138	3 214	3 295	3 170	3 348

The graph reflects the percentage per funding source for the next ten years.

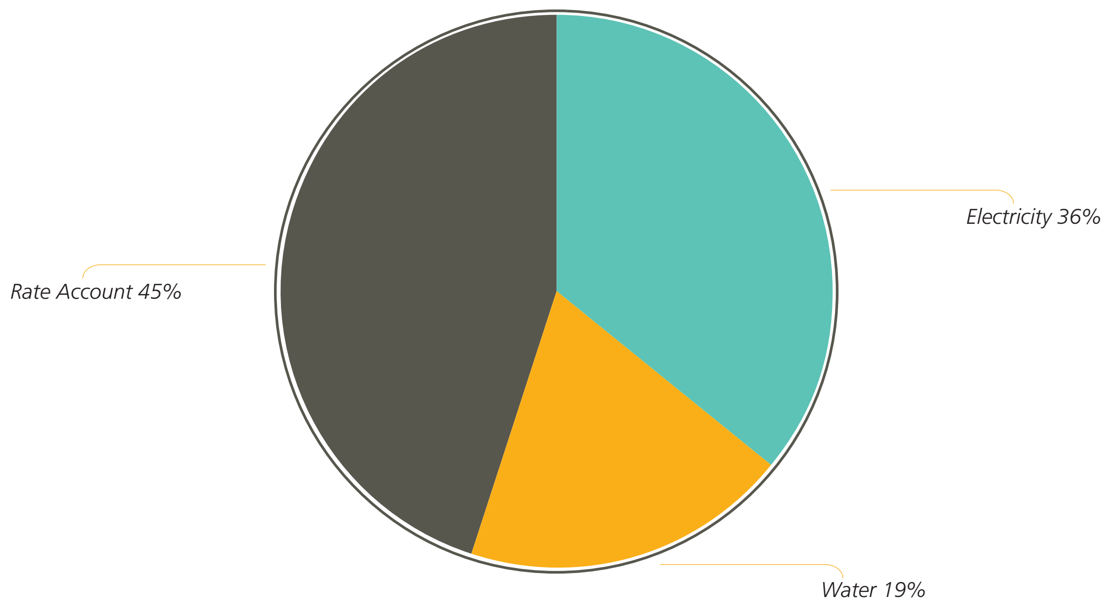
CAPITAL FUNDING



The capital will be funded from a combination of loans, surplus cash and grants and donations. In 2010/11 financial year, approximately 52% (R1,5 billion) will be financed from loans, 16% (R457 million) from cash resources and 32% (R935 million) from grants and donations.

The following revenue streams support the City's capital level of funding;

CAPEX: REVENUE SOURCE



- Electricity revenue support of electricity infrastructure investment and accounts for 36%;
- Water revenue supports the water infrastructure investment and accounts for 19%, and
- The Rate Account supports all the remainder of the City's infrastructure, accounting for 45% of the City capital portion.

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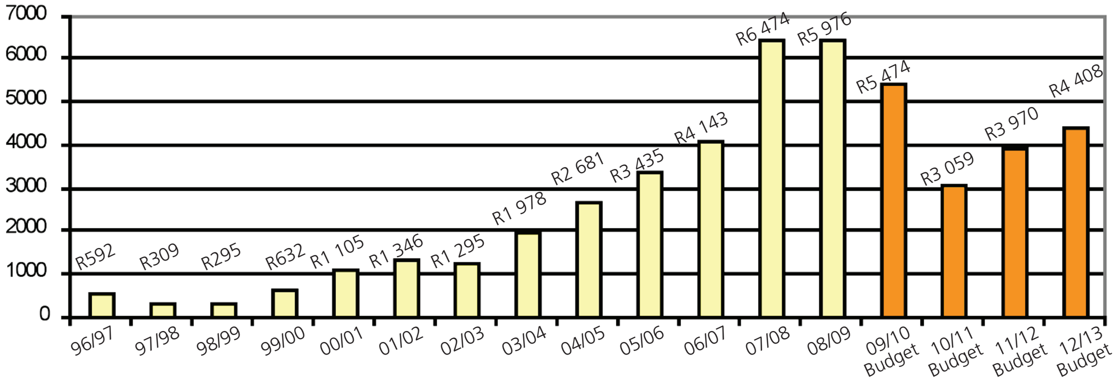
The graph demonstrates the history of capital spending.

HISTORICAL TRENDS ON CAPITAL SPENDING (R millions)



The City's capital spending has seen a growth of more than 100% over the past five years and it has been peaking around the 2010 Soccer World Cup.

Measures of financial performance

- Current ratio shall not be less than one;
- Debt to revenue shall be between 50% – 46%;
- Interest as a percentage of operating expenditure remains below 7%;
- Salaries to operating not to be more than 30%, and
- Cost coverage ratio should cover at least one month.

The table below reflects the projected ratio's of the City over the next ten years.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current ratio	0,64	0,84	0,99	1,19	1,12	1,20	1,28	1,28	1,25	1,24
Debt/revenue	53%	50%	49%	47%	47%	45%	46%	46%	45%	45%
Interest/operating	6,2%	5,7%	5,7%	5,0%	5,0%	5,5%	5,5%	5,8%	6,0%	5,9%
Salaries to operating	26%	26%	25%	24%	23%	23%	23%	23%	23%	23%

Current ratio

- Current ratio measures the ability of the City to pay its current liabilities out of the current assets. The industry usually looks for a ratio of 2:1. However, the acceptable current ratio is 1:1 for municipalities.
- The current ratio is below 1:1. The current ratio is expected to increase over the medium term and will fall within the benchmark of 1:1 in 2012/13 and remains within the target in the outer years.
- The ratio needs to be given utmost attention and the City will have to create cash through the operating account (minimise costs) to maintain liquidity.

Debt to revenue ratio

- Debt to revenue ratio, measures the percentage of revenue, committed to long-term debt.
- The debt to revenue ratio, as reflected in the above table, shows that the City has reached its limit of 50%. The ratio is expected to improve over the medium term between 50% – 46%.

Interest as percentage of operating expenditure

- The ratio has remained within the acceptable levels of up to 7%.

Salaries ratio

- Employee costs totaled 26% of the total expenditure for the 2010/11 financial year. This ratio is maintained within the limit of 30%.

Ratio analysis

The financial position of the City is projected to improve over the medium term, with most of the ratios expected to fall within the set benchmarks.

Funding arrangements and strategies

The City of Johannesburg has numerous funding options available, both short term and long term that are in line with the Municipal Finance Management Act, 2003 (MFMA) and the Municipal Borrowing Framework. Treasury continuously analyses current and available financing arrangements, with the aim of identifying the best financing mix. Treasury also monitors that the funding mix is in line with prudential indicators such as the revenue-to-debt ratio.

In April 2005, a R6 billion Domestic Medium Term Note (DMTN) programme was launched. The DMTN programme provides flexibility as it enables the City to raise funding as and when required. Under this programme the City can raise funding through various funding mechanisms, for example, vanilla bonds, commercial paper and retail bonds.

The aforementioned DMTN programme was fully utilised in 2009 and a new R7 billion DMTN programme was then established and approved by Council. Through the new DMTN programme, the City issued R1,364 billion in commercial paper to bridge cash flow mismatches. R242 million in commercial paper was issued under the old DMTN programme.

In terms of the City's internal redemption plan, the City successfully redeemed all the outstanding commercial paper issues. R242m in commercial paper was redeemed on 12 Feb 2010, R758m in commercial paper was redeemed on 23 March 2010 and the last tranche of R606m in commercial paper was redeemed on 22 April 2010. It should be noted that the City redeemed all its outstanding commercial paper issues well before the end of the financial year, on the 30 June 2010, as prescribed by section 45 of the MFMA.

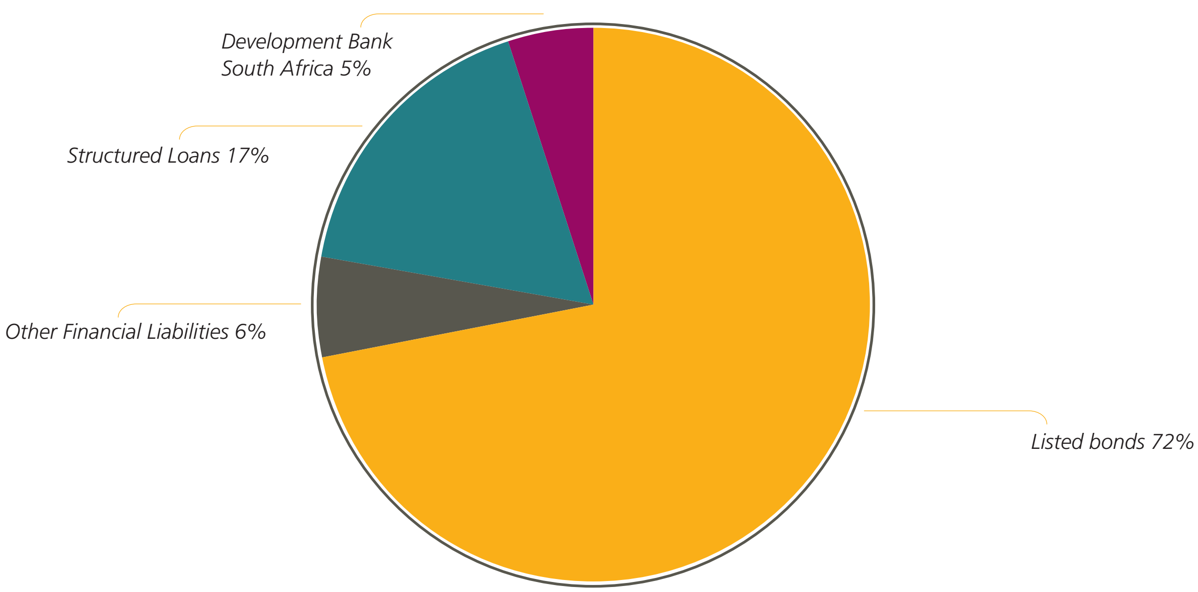
The City had a bond portfolio consisting of six institutional fixed coupon bonds and three floating rate retail bonds. However, the debut institutional bond (COJ01) has since been redeemed from the sinking fund proceeds on 13 April 2010 and the shortest maturity JOZI bonds (JOZI01) with the nominal amount of R8.843m was redeemed when it matured on 21 September 2009.

The table below shows the summary of redemptions.

Counterparty	Instrument	Redemption date	Amount
Capital Market Investors	JOZI01: Retail Bond	21 September 2009	R8,843m
Capital Market Investors	COJ01C: Commercial Paper	12 February 2010	R242m
Capital Market Investors	COJ02C: Commercial Paper	23 March 2010	R758m
Capital Market Investors	COJ03C: Commercial Paper	22 April 2010	R606m

The City's liability profile is outlined below and the five outstanding institutional bonds with respective coupons and maturities are as follows:

CITY LIABILITY PROFILE



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COJ02 (2016: 11,90%); COJ03 (2013: 9,70%); COJ04 (2018: 9,00%); COJ05 (2023: 12,205%) and COJ06 (2015: 10,815%). The retail bond portfolio, totalling R148,022 million, constitutes of two bonds namely, Jozi02 and Jozi03, with maturity dates of 21 September 2010 and 21 September 2012.

The table below depicts the summary of all outstanding bonds.

Bond code	Issued amount	Tap amount	Comparison bond	Maturity	Coupon
JOZI02	20 722 000	None	3M Jibar	21 Sept 2010	3M Jibar +25 bpts Floating
JOZI03	127 300 000	None	3M Jibar	21 Sept 2012	3M Jibar +40 bpts
Floating					
COJ02	1 000 000 000	None	R157	15 Sept 2016	11,90%
COJ03	700 000 000	None	R157	26 April 2013	9,70%
COJ04	1 733 000 000	533m	R203	05 June 2018	9,00%
COJ05	2 268 000 000	468m	R208	05 June 2023	12,205%
COJ06	900 000 000	None	R157	09 Dec 2015	10,815%

Short term funding

Section 45 of MFMA guides short term borrowing in the City. Liquidity management is of paramount significance in a robust risk management framework. The City has overnight loan facilities approved with various banks, totalling R800 million for bridging any potential short term liquidity needs.

As mentioned above, one of the financial instruments that will continue to play a crucial role in the City's funding programme is the issue of commercial paper. This instrument offers flexibility in funding and is utilised to manage and match the cash-flow mismatches that may arise. Going forward, the City considers to issue commercial paper in July 2010 and Council has approved the proposed issuance. The proposed commercial paper issue will be redeemed prior to the end of the financial year 2010/11, as required by section 45(4)(a) and (b) of the MFMA. .

Long term funding

The City will continue to utilise the DMTN programme as a vehicle for issuance of financial instruments in the local debt capital markets. The City has established benchmark bonds across the yield curve and as such the primary strategy is to tap into existing bonds to fund CAPEX and increase volumes to improve tradability in the bonds. In the 2010/2011financial year the City is aiming to issue up to R2 billion bonds, by either issuing new bonds or tapping into existing bonds to fund the external borrowing requirements. Diversification of funding sources is also key to mitigate concentration risk and as a result, the City will continue to utilise alternative funding sources, such as project finance, leases, loans, concessionary loans, syndicated loans, export credit agency funding and public private partnerships.

Investments

Investments by the City are done in accordance with, and in adherence to the Municipal Investment Regulations, issued in terms of the MFMA, the City's Treasury Policy and other relevant legislation. Cash Flow forecasts and liquidity needs by the City and various municipal-owned entities provide guidance for the type of investments employed and tenor thereof. The investments are made with primary regard for the risk profile and appetite of the investment, liquidity needs of the City and the return on investments.

Treasury is obliged to invest all the City's funds within approved limits with counterparties approved by the Asset and Liabilities Committee (ALCO). Due to high liquidity needs of the City, the investment portfolio constitutes mainly of money market instruments. Treasury continuously analyses the market for good investment opportunities, relative to appropriate benchmarks and market conditions. Part of the yield enhancing strategy is to invest in money market funds managed by asset managers. The interest rate on these funds is competitive, compared to the rates showed by conventional banks. ALCO has approved asset managers on the Treasury's counterparty list.

The City established a Sinking Fund, which is managed by an asset manager. The purpose of the sinking fund is to ensure that the City has the ability to redeem all bonds at maturity and the first bond, COJ01 with a R1 billion nominal amount, was redeemed on the 13 April 2010.

GT001 City Of JohannesburgSupporting Table SA10 Funding measurement

Description	MFMA section	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Funding measures									
Cash/cash equivalents at the year end - R'000	18(1)b	1 748 980	1 338 459	645 608	902 574	773 587	1 829 268	2 926 736	4 499 466
Cash + investments at the yr end less applications - R'000	18(1)b	(1 483 825)	(1 348 857)	(2 245 579)	(943 598)	(2 059 617)	(402 438)	779 181	2 463 484
Cash year end/monthly employee/supplier payments	18(1)b	2.0	1.3	0.5	0.6	0.5	1.1	1.5	2.1
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	1 339 389	1 954 544	741 206	1 333 678	2 921 612	1 959 212	3 200 928	2 961 694
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	1.8%	10.5%	17.4%	(5.0%)	12.2%	9.0%	9.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	91.6%	82.4%	82.4%	88.0%	90.3%	90.5%	88.6%	92.5%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	6.0%	6.5%	11.1%	6.2%	6.3%	6.1%	6.4%	6.1%
Capital payments % of capital expenditure	18(1)c;19	96.7%	129.0%	98.2%	100.0%	100.0%	96.0%	96.5%	97.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	64.7%	65.8%	60.8%	64.4%	69.5%	80.9%	86.5%
Grants % of Govt. legislated/gazetted allocations	18(1)a	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	50.5%	16.1%	(20.2%)	10.1%	8.7%	29.2%	(5.5%)
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	30.8%	34.8%	0.0%

Statement of tariff setting and revenue strategies

The MFMA requires annual budgets of municipalities to be funded by realistically anticipated revenue to be collected, based on collection levels to date and the actual revenue collected in previous financial years.

The City is committed to reducing dependency on revenue streams that might undermine the City's long term environmental sustainability. The City's Future Revenue Optimisation programme involves exploring, and where feasible, introducing innovative product pricing options, through engagement with departments and municipal-owned entities. The primary focus of this programme is to explore demand-side management practices, investigate options for pricing for, and payment such as prepaid meters, direct billing of apartment blocks and multiple user meters per stand.

The City annually reviews the tariffs to ascertain whether they are still capable of producing the required revenue envelope, taking note of the prevailing trends. This process of tariff setting takes place within the framework of the City's tariff policy.

While the City is committed to maintaining tariff increases within the forecasted inflation, increases above inflation are applied to some services (mainly major trading services) due to budgetary requirements aimed at sustaining service provision.

For the 2009/10 financial year tariff increases for the major services were driven by the following broad considerations:

- Maintaining the City's infrastructure in good state of repair, mindful of the affordability of services;
- Producing surplus cash to maintain a positive working capital position;
- Increase in bulk purchases;
- Capital investment plans;
- The need to continue the roll-out of the demand-side management programmes;
- The projected shortage of water resources;
- Current national electricity constraints;
- The expected sluggish improvement of the economy;
- The impact of inflation and other cost increase;
- Expanded Social Package considerations, and
- National waste minimisation targets set within the Polokwane Declaration.

Informed by the aforementioned considerations, the City will increase tariffs for its major services as follows:

Electricity

Lifeline	15%
Single and three phases	22%
Prepaid	15%
Businesses and industrial	33,5%
Agricultural	24%

Water services and sewerage and sanitation services

0 to 6kl	Free
Greater than 6 up to 10kl	5,8%
Greater than 10 up to 15kl	7,1%
Greater than 15 up to 20kl	9,1%
Greater than 20 up to 30kl	12,6%
Greater than 30 up to 40kl	14,1%
In excess of 40kl	14,6%

Institutional and industrial/commercial tariffs to be increased by 14,1% for consumption up to 200kl and by 14,6% for consumption exceeding 200kl. All other tariffs to be increased by 14,1%.

Sewerage and sanitation services to be incrased by 14% across the board.

Refuse removal services (based on property value)

R150 000 and less	Free
R150 001 to R300 000	12%
R300 001 to R500 000	12%
R500 001 to R700 000	12%
R700 001 to R1 500 000	12,5%
Greater than R1 500 000	12,5%

Residential property rates increased by 12% and the new Cents in the Rand is 0,004928.

Tariff schedules for the various services are available on the City's website.

GT001 City Of Johannesburg - Supporting Table SA11 Property rates summary

Description	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Valuation:								
Date of valuation:	2001/01/01	2001/01/01	2007/01/07					
Financial year valuation used								
Municipal by-laws s6 in place? (Y/N)	Yes	No	Yes					
Municipal/assistant valuer appointed? (Y/N)	Yes	Yes	Yes					
Municipal partnership s38 used? (Y/N)	No	No	No					
No. of assistant valuers (FTE)	–	–	29	–	–	–	–	–
No. of data collectors (FTE)	20	–	–	–	–	–	–	–
No. of internal valuers (FTE)	4	–	44	–	–	–	–	–
No. of external valuers (FTE)	7	–	–	–	–	–	–	–
No. of additional valuers (FTE)	–	–	–	–	–	–	–	–
Valuation appeal board established? (Y/N)	Yes		Yes					
Implementation time of new valuation roll (mths)	24	–	–	–		–		
No. of properties	427 886	427 886	623 636	570 485	570 485	570 485	–	–
No. of sectional title values	–	–	189 744	176 199	176 199	176 485	–	–
No. of objections by rate payers	–	–	22 488	22 488	–	–	–	–
No. of successful objections	–	–	14 944	14 944	–	–	–	–
No. of successful objections > 10%	–	–	13 051	13 051	–	–	–	–
Public service infrastructure value (Rm)	–	–	3 177	3 177	–	–	–	–
Municipality owned property value (Rm)	–	–	13 459	13 459	–	–	–	–
Valuation reductions:								
Valuation reductions-public infrastructure (Rm)	–	–	2 727	2 727	2 727	–	–	–
Valuation reductions-R15,000 threshold (Rm)	–	–	84 121	84 121	84 121	–	–	–
Valuation reductions-public worship (Rm)	–	–	2 817	2 817	2 817	–	–	–
Valuation reductions-other (Rm)	–	–	5 190	5 190	5 190	–	–	–
Total valuation reductions:	**–**	**–**	**94 854**	**94 854**	**94 854**	**–**	**–**	**–**
Total value used for rating (Rm)	–	–	642 806	642 806	642 806	–	–	–
Total market value (Rm)	–	686 363	–	–	–	–	–	–
Rating:								
Residential rate used to determine rate for other categories? (Y/N)	Yes	Yes						
Differential rates used? (Y/N)	Yes	Yes						
Limit on annual rate increase (s20)? (Y/N)								
Special rating area used? (Y/N)	No	No						
Phasing-in properties s21 (number)	–	174 120	173 021	173 021	173 021		–	–
Rates policy accompanying budget? (Y/N)	No	Yes	Yes					
Fixed amount minimum value (R'000)	20	150	150	–				
Non-residential prescribed ratio s19? (%)								
Rate revenue:								
Rate revenue budget (R '000)	3 454 195	3 409 087	4 097 214	4 117 214	4 117 214	5 146 044	5 542 289	–
Rate revenue expected to collect (R'000)	–	3 117 602	3 923 846	3 908 948	3 787 837	4 743 591	5 108 849	–
Expected cash collection rate (%)		91.4%	95.8%	94.9%	92.0%	92.2%	92.2%	
Rebates, exemptions - indigent (R'000)	–	–	–	–	11 901	–	–	–
Rebates, exemptions - pensioners (R'000)	–	–	–	–	7 105	–	–	–
Rebates, exemptions - other (R'000)	–	430 876	475 098	475 098	447 808	569 377	601 831	–
Phase-in reductions/discounts (R'000)	–	–	–	–	26 799	–	–	–
Total rebates,exemptns,reductns,discs (R'000)	**–**	**430 876**	**475 098**	**475 098**	**493 613**	**569 377**	**601 831**	**–**

GT001 City Of Johannesburg - Supporting Table SA12 Property rates by category (current year)

Description	Resi.	Bus. & Comm.	Farm props.	State-owned	Muni props.	Public service infra.	Public benefit organs.	Mining Props.
Current Year 2009/10								
Valuation:								
No. of properties	516 013	24 255	–	5 139	22 108	2 387	551	32
No. of sectional title property values	166 058	10 141	–	–	–	–	–	–
No. of objections by rate-payers	–	–	–	–	–	–	–	17
No. of successful objections	–	–	–	–	–	–	–	9
No. of successful objections > 10%	–	–	–	–	–	–	–	9
Years since last valuation (select)	2	2		2	2	2	2	2
Frequency of valuation (select)	4	4		4	4	4	4	4
Method of valuation used (select)	Market Value	Market Value		Market Value	Market Value	Market Value	Market Value	Market Value
Base of valuation (select)	Market Value	Market Value		Market Value	Market Value	Market Value	Market Value	Market Value
Phasing-in properties s21 (number)	173021							
Combination of rating types used? (Y/N)	No	No	No	No	No	No	No	No
Flat rate used? (Y/N)	No	No	No	No	No	No	No	No
Is balance rated by uniform rate/variable rate?								
Valuation reductions:								
Valuation reductions-R15,000 threshold (Rm)	84 121	–	–	–	–	–	–	–
Valuation reductions-public worship (Rm)	–	–	–	–	–	–	2 817	–
Valuation reductions-other (Rm)	–	–	–	–	5 190	–	–	–
Total valuation reductions:	–	–	–	–	–	–	–	–
Total value used for rating (Rm)	481 077	135 515	–	12 113	10 018	2 727	1 152	204
Total market value (Rm)	**481 077**	**135 515**	**–**	**12 113**	**10 018**	**2 727**	**1 152**	**204**
Rating:								
Average rate	0.004400	0.015400	–	0.006600	0.005280	–	0.004400	0.015400
Rate revenue budget (R '000)	2 451 318	2 055 250	–	62 209	25 364	–	5 059	3 088
Rate revenue expected to collect (R'000)	2 255 213	1 890 830	–	57 232	23 335	–	4 654	2 841
Expected cash collection rate (%)	92.0%	92.0%		92.0%	92.0%		92.0%	92.0%
Rebates, exemptions - indigent (R'000)	11 901	–	–	–	–	–	–	–
Rebates, exemptions - pensioners (R'000)	7 105	–	–	–	–	–	–	–
Rebates, exemptions - other (R'000)	446 558	–	0	–	0	–	1 250	–
Phase-in reductions/discounts (R'000)	26 799	–	–	–	–	–	–	–
Total rebates,exemptns,reductns,discs (R'000)	**492 363**	**–**	**0**	**–**	**0**	**–**	**1 250**	**–**

GT001 City Of Johannesburg - Supporting Table SA13 Property rates by category (budget year)

Description	Resi.	Bus. & Comm.	Farm props.	State-owned	Muni props.	Public service infra.	Public benefit organs.	Mining Props.
Budget Year 2010/11								
Valuation:								
No. of properties	516 013	24 255	–	5 139	22 108	2 387	551	32
No. of sectional title property values	166 058	10 141	–	–	–	–	–	–
Years since last valuation **(select)**	3	3		3	3	3	3	3
Frequency of valuation **(select)**	4	4		4	4	4	4	4
Method of valuation used **(select)**	Market Value	Market Value		Market Value	Market Value	Market Value	Market Value	Market Value
Base of valuation **(select)**	Market Value	Market Value		Market Value	Market Value	Market Value	Market Value	Market Value
Phasing-in properties s21 (number)	173021							
Combination of rating types used? (Y/N)	No	No	No	No	No	No		No
Flat rate used? (Y/N)	No	No	No	No	No	No		No
Is balance rated by uniform rate/variable rate?								
Valuation reductions:								
Valuation reductions-public infrastructure (Rm)	–	–	–	–	–	2 727	–	–
Valuation reductions-R15,000 threshold (Rm)	84 121	–	–	–	–	–	–	–
Valuation reductions-public worship (Rm)	–	–	–	–	–	–	2 817	–
Valuation reductions-other (Rm)	–	–	–	–	5 190	–	–	–
Total valuation reductions:								
Total value used for rating (Rm)	478 647	133 460	–	12 051	9 993	2 727	1 150	201
Total market value (Rm)	**478 647**	**133 460**	**–**	**12 051**	**9 993**	**2 727**	**1 150**	**201**
Rating:								
Average rate	0.004928	0.017248	–	0.007392	0.005914	–	0.004928	0.017248
Rate revenue budget (R '000)	2 897 845	2 301 880	–	69 672	28 407	–	5 666	3 458
Rate revenue expected to collect (R'000)	2 689 200	2 136 144	–	64 655	26 361	–	5 258	3 209
Expected cash collection rate (%)	92.8%	92.8%		92.8%	92.8%		92.8%	92.8%
Special rating areas (R'000)	–	–	–	–	–	–	–	–
Rebates, exemptions - indigent (R'000)	13 329	–	–	–	–	–	–	–
Rebates, exemptions - pensioners (R'000)	8 099	–	–	–	–	–	–	–
Rebates, exemptions - other (R'000)	500 282	–	0	–	0	–	2 100	–
Phase-in reductions/discounts (R'000)	14 999	–	–	–	–	–	–	–
Total rebates,exemptns,reductns,discs (R'000)	**536 709**	**–**	**0**	**–**	**0**	**–**	**2 100**	**–**

Chapter 8

GT001 City Of Johannesburg - Supporting Table SA14 Household bills

Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10		2010/11 Medium Term Revenue & Expenditure Framework			
Rand/cent		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2010/11 % incr.	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
Monthly Account for Household - 'Large' Household	1									
Rates and services charges:										
Property rates		403.65	424.24	454.36	495.00	495.00	12.0%	554.40	589.16	624.77
Electricity: Basic levy		78.83	121.99	146.39	226.56	226.56	21.0%	274.14	291.33	308.94
Electricity: Consumption		373.19	403.79	427.61	481.80	481.80	24.0%	597.40	634.85	674.65
Water: Basic levy		–	–	–	–	–	–	–	–	–
Water: Consumption		151.10	163.80	172.15	203.14	203.14	10.3%	224.02	238.06	252.45
Sanitation		93.00	100.55	105.68	129.00	129.00	14.1%	147.19	156.42	165.87
Refuse removal		42.19	44.48	46.75	113.00	113.00	13.3%	128.00	136.03	144.25
Other		–	–	–	–	–	–	–	–	–
sub-total		**1 141.96**	**1 258.85**	**1 352.94**	**1 648.50**	**1 648.50**	**16.8%**	**1 925.15**	**2 045.85**	**2 170.93**
VAT on Services		103.36	116.85	125.80	161.49	161.49	18.8%	191.91	203.94	216.46
Total large household bill:		**1 245.32**	**1 375.70**	**1 478.74**	**1 809.99**	**1 809.99**	**17.0%**	**2 117.06**	**2 249.79**	**2 387.39**
% increase/-decrease			**10.5%**	**7.5%**	**22.4%**	**–**		**17.0%**	**6.3%**	**6.1%**
Monthly Account for Household - 'Small' Household	2									
Rates and services charges:										
Property rates		104.04	109.38	116.67	128.33	128.33	12.0%	143.73	152.74	161.97
Electricity: Basic levy		78.83	121.99	146.39	226.56	226.56	21.0%	274.14	291.33	308.94
Electricity: Consumption		175.98	190.41	201.64	235.95	235.95	24.0%	292.58	310.92	329.72
Water: Basic levy		–	–	–	–	–	–	–	–	–
Water: Consumption		112.35	121.80	128.01	149.94	149.94	9.5%	164.12	174.41	184.95
Sanitation		47.80	51.70	54.34	66.27	66.27	14.1%	75.61	80.35	85.21
Refuse removal		23.87	25.16	26.44	76.00	76.00	11.8%	85.00	90.33	95.79
Other		–	–	–	–	–	–	–	–	–
sub-total		**542.87**	**620.44**	**673.49**	**883.05**	**883.05**	**17.2%**	**1 035.18**	**1 100.08**	**1 166.58**
VAT on Services		61.44	71.55	77.95	105.66	105.66	18.1%	124.80	132.63	140.65
Total small household bill:		**604.31**	**691.99**	**751.44**	**988.71**	**988.71**	**17.3%**	**1 159.98**	**1 232.71**	**1 307.23**
% increase/-decrease			**14.5%**	**8.6%**	**31.6%**	**–**		**17.3%**	**6.3%**	**6.0%**
Monthly Account for Household - 'Small' Household receiving free basic services	3									
Rates and services charges:										
Property rates		–	–	–	–	–	–	–	–	–
Electricity: Basic levy		–	–	–	–	–	–	–	–	–
Electricity: Consumption		24.25	25.68	27.20	34.07	34.07	15.0%	39.18	41.64	44.18
Water: Basic levy		–	–	–	–	–	–	–	–	–
Water: Consumption		–	–	–	–	–	–	–	–	–
Sanitation		47.80	51.70	54.34	66.27	66.27	14.1%	75.61	80.35	85.20
Refuse removal		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
sub-total		**72.05**	**77.38**	**81.54**	**100.34**	**100.34**	**14.4%**	**114.79**	**121.99**	**129.38**
VAT on Services		10.09	10.83	11.42	14.05	14.05	14.4%	16.07	17.08	18.11
Total small household bill:		**82.14**	**88.21**	**92.96**	**114.39**	**114.39**	**14.4%**	**130.86**	**139.07**	**147.49**
% increase/-decrease			**7.4%**	**5.4%**	**23.1%**	**–**		**14.4%**	**6.3%**	**6.1%**

References

1 Use as basis 1 000m² erf, 150m² improvements, 1 000 units electricity and 30kl water.

2 Use as basis 300m² erf, 48m² improvements, 498 units electricity and 25kl water.

3 Use as basis 300m² erf, 48m² improvements, 60kw electricity and 6kl water (TO BE CONFIRMED).

GT001 City Of Johannesburg - Supporting Table SA15 Investment particulars by type

Investment type R thousand	2006/7 Audited Outcome	2007/8 Audited Outcome	2008/9 Audited Outcome	Current Year 2009/10 Original Budget	Current Year 2009/10 Adjusted Budget	2010/11 Medium Term Revenue & Expenditure Framework Budget Year 2010/11	2010/11 Medium Term Revenue & Expenditure Framework Budget Year +1 2011/12	2010/11 Medium Term Revenue & Expenditure Framework Budget Year +2 2012/13
Parent municipality								
Listed Corporate Bonds	35	35		–		–	–	–
Deposits - Bank	1 687 455	423 158	952 652	610 467	566 104	1 688 454	2 827 414	3 959 654
Guaranteed Endowment Policies (sinking)	2 024 156	2 297 282	1 297 282	2 762 078	2 636 439	2 913 466	3 094 362	3 759 596
Consolidated total:	**3 711 646**	**2 720 475**	**2 249 934**	**3 372 545**	**3 202 543**	**4 601 920**	**5 921 776**	**7 719 250**

GT001 City Of Johannesburg - Supporting Table SA16 Investment particulars by maturity

Investments by Maturity Name of institution & investment ID	Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Monetary value Rand thousand	Interest to be realised Rand thousand
Parent municipality					
RMB R100m Security Deposit		Long Term	30 Nov 14	45 384	–
RMB R100m Amortising Deposit		Long Term	30 Nov 14	47 360	–
RMB R248m Sinking Fund		Long Term	31 Dec 12		–
RMB Fixed Deposit		Long Term	30 Nov 14	35 019	
ABSA R150m		Long Term	20 Dec 12		–
SCMB Loan Stock		Long Term	31 Aug 13	20 813	–
Standard Midrand		Long Term	30 Nov 11		–
Regiments Sinking Fund		Long Term	10 Apr 2010	2 764 890	–
INCA & STD Bank		Long Term	30 Jun 11		–
Call Investment		Call	Call	1 688 454	–
TOTAL INVESTMENTS AND INTEREST				**4 601 920**	**–**

GT001 City Of Johannesburg - Supporting Table SA17 Borrowing

Borrowing - Categorised by type R thousand	2006/7 Audited Outcome	2007/8 Audited Outcome	2008/9 Audited Outcome	Current Year 2009/10 Original Budget	Current Year 2009/10 Adjusted Budget	2010/11 Medium Term Revenue & Expenditure Framework Budget Year 2010/11	2010/11 Medium Term Revenue & Expenditure Framework Budget Year +1 2011/12	2010/11 Medium Term Revenue & Expenditure Framework Budget Year +2 2012/13
Parent municipality								
Long-Term Loans (annuity/reducing balance)	2 410 786	2 022 177	2 624 189	1 093 185	4 425 247	4 175 160	3 934 059	3 863 774
Local registered stock	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
Non-Marketable Bonds	3 730 000	5 856 865	7 700 817	10 022 543	6 700 817	8 212 817	9 724 817	10 824 817
Total Borrowing	**6 170 786**	**7 909 042**	**10 355 006**	**11 145 728**	**11 156 064**	**12 417 977**	**13 688 876**	**14 718 591**